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OPINION: Don't raise taxes on real estate paperwork

By MICHELLE STEEL

Despite its good intentions, a new legislative proposal working its way through the capitol would have disastrous consequences for private property rights in California.

Senate Bill 391, written by Sen. Mark DeSaulnier, D-Concord, would increase taxes on recorded real estate documents by \$75 per document, hitting low- to middle-income Californians especially hard, while also placing a disproportionate burden on rural property owners. And it would weaken our state's private property system.

The sponsor of this tax increase has called it the "California Homes and Jobs Act," because revenues collected — estimated at about \$500 million per year — are supposed to subsidize the construction of "affordable" housing projects, putting needy Californians in new homes while providing jobs for our struggling construction industry. Unfortunately, it won't have that effect.

Today, a family looking to refinance their home needs — on average — to file four separate documents with their local recorder. Under current law, a county recorder charges a base recording fee of up to \$40. Under SB 391, it would rise to an additional \$300, a 750 percent increase on a family that may already be unable to afford their home.

In the best-case scenario, the family struggling to refinance their home could theoretically benefit from the new tax. They might live in an urban area, such as Long Beach, Oakland or San Jose and be direct beneficiaries of new "affordable" housing projects built with the tax revenue collected.

But what if that family lives in a rural area? They would still be required to file the same documents and pay the same higher taxes, but they would never see new housing projects in their neighborhoods. Their increased expenses would subsidize housing units and jobs in cities sometimes far away from them.

In reality, very few are likely to benefit from the new recording tax, with most Californians only seeing increased costs and little to no benefit. A 2004 study by the Reason Foundation found that "affordable" housing programs in the Bay Area actually reduced new housing production and increased the price of new homes sold at market rates. This is because government subsidies for projects such as "affordable" housing don't actually reduce the cost of building a new home or

apartment complex, and they don't lower the rent. They simply cover those costs with someone else's money taken as taxes, and they restrict the supply of market-rate housing.

Under SB 391, Some Californians may end up being able to live in a home that they could not otherwise afford, and some real estate developers and construction workers — lucky enough to land a government contract — may get work building the new projects. But they will do so only at the expense of many more Californians who will be forced to pay increased taxes for recording their documents, and therefore be left with less money to pay their own rent, or mortgage, or anything else.

And these won't be the wealthiest residents who might be able to afford a few extra dollars to record a document, but the least well off, who may not be able to. Instead of benefiting from new homes or jobs, hardworking Californians and their families may have to choose between recording the documents they need to easily prove the ownership of their properties or not recording the documents and spending those hundreds of dollars in taxes on something else. This will have the unintended consequence of harming the accuracy of county land records, and causing serious harm to our system of private property rights, which relies on transparent and easily searchable public records.

The best way to promote affordable housing is to reduce regulations on homebuilders, spurring competition and driving down prices for everyone through free enterprise. Unfortunately, this tax hike would do the opposite. I urge legislators to reject Senate Bill 391.

Michelle Steel represents District 3, which includes much of inland Southern California, on the state Board of Equalization.